

Supreme Court, U. S.

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IN THE

**Supreme Court of the United States**

OCTOBER TERM, 1976

No. **76-998**

WIENER KING, INC.,

*Petitioner,*

*vs.*

THE WIENER KING CORPORATION, OPERATIONAL  
SYSTEMS, INC., and JED ASSOCIATES,

*Respondents.*

**BRIEF IN OPPOSITION TO PETITION FOR WRIT OF  
CERTIORARI TO THE UNITED STATES COURT  
OF APPEALS FOR THE THIRD CIRCUIT**

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*To the Honorable, the Chief Justice and the Associate  
Justices of the Supreme Court of the United States:*

The Wiener King Corporation, Operational Systems, Inc., and JED Associates, respondents herein, pray that the petition for writ of certiorari filed herein by Wiener King, Inc., petitioner, be denied.

### Opinion Below

The Opinion of the Court of Appeals is not yet officially reported. The entire opinion is set forth as Appendix D of the Petition, 27a through 41a.

### Jurisdiction

The jurisdictional requisites are set forth in the Petition.

### Counter-Statement of Questions Presented

1. Does not plaintiff's admission that the District Court went too far in its determination of plaintiff's reputation zone and trade area conclusively establish that the District Court's determination was clearly erroneous?

2. Once the District Court's determination of plaintiff's reputation zone and trade area has been established to be clearly erroneous, either by admission of plaintiff or by a finding of the Court of Appeals, is not the Court of Appeals free to make its own determination from the record, particularly when the record consists of only non-demeanor testimony?

### Statutes and Rules Involved

The statutes and rules involved are set forth in the Petition.

### Counter-Statement of the Case

Defendant Wiener King Corporation commenced business and use of the mark "Wiener King" in the southeastern United States in 1970 for the purpose not only of operating its own restaurants but also of franchising its restaurant operations and mark on a nationwide scale (App. 182).<sup>1</sup> The adoption of the mark was innocent and in unquestioned good faith, as confirmed by both the Court of Appeals and the District Court (App. 345 and 347, Pet. 30a). Immediately after commencing business, defendant Wiener King Corporation began a concerted program of growth and expansion. By the time of trial in this action there were 31 company-owned restaurants of defendant Wiener King Corporation in operation under the mark, as well as substantial franchised operations under the mark, including activities in 22 states of the United States comprising 30 franchised Wiener King restaurants in operation, 20 under construction, 30 under site development and 19 for which sites had been selected (App. 36 and 182).

In connection with defendant Wiener King Corporation's expansion, federal service mark registrations of the mark were granted to defendant Wiener King Corporation in January and May of 1972. Defendant Wiener King Corporation had no knowledge of plaintiff or the possibility of plaintiff's use of a similar mark until several months thereafter in 1972.

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<sup>1</sup> References to the Appendix on appeal to the Court of Appeals are prefaced by the letters "App." followed by the page number, *e.g.*, "App. 182."

References to the Opinion of the Court of Appeals, which is set forth in the Appendix to the Petition, are by reference to the appropriate page in the Petition, *e.g.*, "Pet. 3a."

On the other hand, plaintiff's operations under the mark "Wiener King" have always been substantially limited to the town of Flemington, New Jersey, since plaintiff's opening of a small restaurant there in 1962. The only exception has been the summer operation of a facility at the seashore resort of Beach Haven, New Jersey begun in 1973, well after the registration of defendant Wiener King Corporation's marks. Throughout its history, plaintiff has made no effort at registration of any mark until the eve of this lawsuit.

In mid-1975, plaintiff instituted this suit in the United States District Court for the District of New Jersey to enjoin the defendants from using the contested mark in New Jersey. Cancellation and concurrent use proceedings were also instituted in the United States Patent and Trademark Office; these have been stayed pending the outcome of this action.

Prior to the trial of this action, the parties stipulated to a number of issues, leaving for determination by the District Court the extent of plaintiff's trade area, the area in which plaintiff would be deemed to have the exclusive right to use the mark in connection with restaurant services. Defendants never contested plaintiff's prior use and exclusive rights to the mark in the area of Flemington, but defendants always contested the existence of any such rights of plaintiff outside that limited area.

The District Court first considered the area of actual prior use, Flemington, and then considered if plaintiff was entitled to any greater area by virtue of proven likelihood of expansion, substantial advertising or reputation. Correctly concluding that plaintiff had proven no active plans for expansion and shown only little local advertising, the District Court recognized that any basis for relief beyond plaintiff's actual use area of Flemington

rested solely on the existence of proof of an expanded reputation zone. As to this latter issue, plaintiff's chief evidence was a survey, conducted by plaintiff, purporting to represent patronage of plaintiff. Defendants strongly objected to the hearsay nature and the validity of this evidence. Defendants even more strongly objected to such arguable evidence of patronage of plaintiff's facility being offered as proof of reputation of plaintiff's mark.<sup>2</sup> On the issue of reputation, defendants introduced a study and analysis conducted by an independent expert which concluded there was no expansive reputation.

Accepting plaintiff's questioned evidence of patronage and ignoring defendants' expert study, the District Court concluded that plaintiff's reputation zone and trade area extended through the entire state of New Jersey and into that portion of Pennsylvania within a forty mile radius of Flemington, and entered an order enjoining defendants from using the mark in connection with restaurant services in that area. After again pointing out the legal insufficiency of plaintiff's evidence and unsuccessfully moving to have the Order properly amended and the territory reduced, defendants took their appeal.

In the course of the Appeal, the lack of any probative evidence on the crucial issue of plaintiff's claimed expansive reputation of its mark caused the Court of Appeals to conclude correctly that the plaintiff had failed in its burden to prove an enlarged trade area. Even the plain-

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<sup>2</sup> As noted by the Court of Appeals, defendants vigorously attacked the admission of plaintiff's survey because of the failure of the evidence to meet the standards contained in the Manual for Complex Litigation §2. 172 (3d ed. 1973). The Court of Appeals, however, found it unnecessary to consider this point since it found plaintiff's evidence completely lacking in probative value as to reputation.

tiff admitted that the District Court's Order was in error.<sup>3</sup> The Court of Appeals rejected the District Court's granting of relief on mere evidence of facility patronage and reversed the District Court's decision. Plaintiff's area of protection was modified to that area within a fifteen mile radius of Flemington, the area previously conceded by defendants.

### ***Reasons Why The Writ Should Not Be Granted***

#### **1. The District Court's determination of plaintiff's reputation zone and trade area was properly set aside applying even a narrow standard of review.**

Assuming arguendo that the District Court's determination of plaintiff's reputation zone and trade area was a "finding of fact", which it was not, such determination was nonetheless properly set aside by the Court of Appeals, since it was truly "clearly erroneous." Without explanation, the District Court held that plaintiff's reputation zone and trade area extended to areas in Pennsylvania and New Jersey for which there was no evidentiary basis, not even from plaintiff's questioned patronage evidence. The error of the District Court was even admitted by plaintiff. Such acknowledgment by plaintiff of the clear error of the District Court's Order conclusively obviates any serious consideration being given to granting certiorari here.

<sup>3</sup> As noted by the Court of Appeals: "plaintiff conceded at oral argument that Cape May County should have been excluded from the Court's injunction." (Pet. 36a). This was a significant portion of the area to which plaintiff had erroneously been held entitled to exclusive rights.

#### **2. The decision below is in complete accord with accepted law and Rule 52(a) of the Federal Rules of Civil Procedure.**

The plaintiff in its Petition has totally mischaracterized the opinion of the Court of Appeals in an obvious attempt to create an imagined "conflict." First, the Court of Appeals completely accepted the findings and conclusions of the District Court as they related to the zones of actual trade area, advertising and expansion (Pet. 33a). And, second, contrary to what plaintiff has suggested, the Court of Appeals did not set aside any factual finding of the District Court directed to the residence area of plaintiff's patronage, although the Court of Appeals had more than ample basis to do so.

What the Court of Appeals did do was recognize that the District Court had confused the legal concepts of patronage and reputation and in so doing had failed to properly consider the issue of reputation.<sup>4</sup> Accordingly, the Court of Appeals considered the issue itself and concluded that plaintiff's survey evidence was "completely lacking in probative value as to 'reputation'" (Pet. 34a, p.7). Defendants had urged this very point to the District Court prior to and during trial, as well as afterwards. Appropriately, the Court of Appeals held that plaintiff had failed to prove any basis for relief beyond Flemington.

<sup>4</sup> Even if it be assumed that the District Court somehow did make some determination of *reputation* zone, as opposed to patronage, that determination was based on an erroneous conclusion of law or mixed law and fact induced by application of an erroneous legal standard. Such is not protected by the "clearly erroneous" standard of review of Rule 52(a). See *Schultz v. First Victoria National Bank*, 420 F. 2d 648 (5th Cir. 1969).

No portion of Rule 52 precludes an appellate court from considering on its own a material issue that has been ignored or not properly considered by the trial Court below, particularly when all of the evidence involved is all non-demeanor. See *Universal Athletic Sales Co. v. Salkeld*, 511 F.2d 904, 907 (3d Cir. 1975); *Locke v. Board of Public Instruction*, 499 F.2d 359 (5th Cir. 1974); *Mitchell v. Anderson*, 235 F.2d 638 (9th Cir. 1955), cert. denied 352 U.S. 926 (1956); *Augello v. Dulles*, 220 F.2d 344 (2d Cir. 1955); *Smith v. Dravo Corp.*, 208 F.2d 388 (7th Cir. 1953); *Sbicca-Del Mac Inc. v. Milius Shoe Co.*, 145 F.2d 389 (8th Cir. 1944).

**3. The rule of law applied by the Court of Appeals in no way presents any conflict with established trademark law.**

The basic analytical approach taken by the District Court was a correct one, as confirmed by the Court of Appeals. Namely, it was recognized that plaintiff, as the prior user of the mark in its particular trade area, was entitled to exclusive rights to the mark in its particular area of actual first use, Flemington. The District Court then correctly recognized that the extent of such area conceivably could be expanded by proof of the existence of secondary zones of potential expansion, advertising and reputation. See Comment, *The Scope of Territorial Protection of Trademarks*, 65 NW.U.L.REV. 781 (1970). Considering the evidence presented, both the District Court and Court of Appeals agreed, and the plaintiff did not contest, that there was no proof of any expansion or advertising to support an extension of plaintiff's trade area beyond Flemington. This left proof of plaintiff's claimed reputation as the sole remaining basis for any possible extension.

Here the District Court fundamentally erred by allowing service mark reputation to be proved per se by evidence of only facility patronage, without the existence of any correlating evidence or citation of any authority to support such an action—notwithstanding defendants' continued objections. The concept of reputation by its very definition connotes not just casual exposure but intelligent recognition and awareness of the mark. As noted by the Court of Appeals, plaintiff's evidence and the District Court's opinion totally failed to appreciate and meet these points.

Further, contrary to plaintiff's erroneous statement in its Petition that the Court of Appeals had failed to give any guidelines as to the nature of proof required in such action, the Court of Appeals did in fact set forth the following specific failings of plaintiff's patronage evidence:

"The fact that some people from fairly distant points patronized plaintiff does not establish:

1. that those patrons had ever heard of Wiener King's reputation before visiting there; or
2. that they ever returned; or
3. that they spoke of or extolled plaintiff or plaintiff's reputation in their home communities; or
4. that anyone who heard of plaintiff through such a patron was thereby influenced to patronize Wiener King."

(Pet. 35a).

Finally, it is ironic to note that the only specific authority offered by plaintiff to support its claim of "conflict"

in trademark law, *Stork Restaurant, Inc. v. Sahati*, 166 F. 2d 348 (9th Cir. 1948), actually is in accord with the principles of law applied by the Court of Appeals. In its Petition, for example, plaintiff failed to mention that in the "Stork Club" case the evidence showed that the complaining party was a million dollar a year business that had expended some seven hundred thousand dollars in national multimedia advertising, that the complaining party's business and mark were regularly the subject of national news and the publicized remarks of many celebrities, and that the business and mark were even the title subject of a major motion picture. Accordingly, both the trial and appellate courts in that action were more than justified in concluding that the "Stork Club" business and mark enjoyed a truly national, valuable *reputation*. The evidence there was of a markedly different quality and quantity from the scanty evidence of bare patronage presented by the plaintiff here.

### CONCLUSION

**For all of the foregoing reasons, the Petition for a Writ of Certiorari should be denied.**

Respectfully submitted,

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